



Schneider  
Medicaid

MATT BLUNT  
GOVERNOR

MISSOURI  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES

P.O. BOX 6500  
JEFFERSON CITY  
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MO HealthNet Division  
(Formerly Division of Medical Services)

February 15, 2008

RELAY MISSOURI  
for hearing and speech impaired  
TEXT TELEPHONE  
1-800-735-2966  
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1-800-735-2466

The Honorable Henry A. Waxman, Chairman  
Committee on Oversight and Government Reform  
Congress of the United States  
House of Representatives  
2157 Rayburn House Office Building  
Washington, D.C. 20515-6143

Dear Chairman Waxman:

This is in response to your letter dated January 16, 2008, in which you requested an analysis of the impact of regulations proposed by the Centers for Medicare and Medicaid Services (CMS) on Missouri's MO HealthNet (Medicaid) program. I hope the following information is helpful.

The MO HealthNet Division's (MHD) comments relating to the proposed regulations follow, in the sequence listed in your January 16 letter.

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CMS is proposing to eliminate graduate medical education (GME) as federally reimbursable costs under the Medicaid program. Missouri uses GME costs shown in hospitals' Medicare cost reports to reimburse hospitals for GME in a variety of ways.

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Enclosure 2 shows the sources of GME reimbursement for SFY 2008 and uses these GME sources to estimate the reduction in federal Medicaid funds for Missouri if reimbursement for GME is not permitted.

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The proposed rules appear to exclude laboratory services from outpatient UPL calculations. Such an exclusion would eliminate Missouri's outpatient UPL methodology since it deals only with outpatient lab services. Enclosure 3 estimates the loss of federal Medicaid funds over the next five years if Missouri can no longer make outpatient UPL payments.

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Missouri makes Direct Medicaid add-on payments to reimburse hospitals for the shortfall between their estimated inpatient Medicaid costs and their inpatient per diem rates. The Direct Medicaid add-on payments include adjustments to reimburse hospitals for the Medicaid share of their provider assessments.

It is not certain that the proposed rules would continue to allow reimbursement of provider taxes in Medicaid payments, even though the Medicaid share of provider taxes is a reasonable cost hospitals incur for doing business in the state and for providing care to Medicaid recipients. Enclosure 4 provides the current amount paid to hospitals to reimburse the Medicaid share of their provider taxes and projects this amount over the next five years to estimate the loss in federal Medicaid funding of this cost.

Effect of reductions on Medicaid applicants and beneficiaries in Missouri -- For the regulations discussed above in 1. - 4.:

A reduction in payments to hospitals would hinder the hospitals' ability to provide quality services to MO HealthNet participants. The combined loss of federal funding for these four regulations for the next five state fiscal years is an average of over \$250 million annually. The effects are even more severe when coupled with the corresponding loss of state funding which would result in a total loss of an average of \$400 million annually. Such a loss of funding would cause significant cash flow shortages, causing a financial strain on Missouri hospitals which service almost 850,000 MO HealthNet participants plus the uninsured. This financial strain, in turn, will result in an adverse impact on the health and welfare of MO HealthNet participants and uninsured individuals in need of medical treatment.

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Based on the elimination of school administrative claiming and the inability to transport children from home to school, Missouri anticipates an estimated combined loss in federal funding of \$28.5 million annually for a five year total of \$142.5 million.

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The MO HealthNet Division hopes that you and the Committee on Oversight and Government Reform will be understanding of the limited nature of the agency's response due to limited time and staff resources. We hope you find the information that was readily available to be of assistance.

Respectfully,



Ian McCaslin, M.D., M.P.H.  
Director

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Enclosures

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The proposed rule will eliminate Medicaid GME reimbursement. Most GME reimbursement to hospitals is contained in the Quarterly and Enhanced GME payments. MO hospitals, however, receive payment for GME in other ways. Some hospitals' per diem rates include the GME cost from the base year cost report. Direct Medicaid add-on payments include the untrended GME cost per day from the base year in the calculation of the trended cost per day. And GME should be assumed to be included in the inpatient UPL payment too.

To conservatively estimate the impact to hospitals of eliminating GME reimbursement for hospitals, SFY 2008 costs were used as the base and were trended to determine the estimated impact for subsequent years. The following applies the current CPI of 5.5%, plus the MO specific trend of 1.5% per year, to the 2008 costs and each of the next 5 years' worth of Quarterly and Enhanced GME payments, and to GME included in Direct Medicaid add-ons. The other sources of GME reimbursement are not inflated. The federal share of GME is estimated by applying the current blended FMAP of 62.22%.

SFY	Quarterly GME	Enhanced GME	GME in Per Diems	GME in DM Add-On	GME in I/P UPL	Total	Federal Share
2008	\$36,136,983	\$69,931,681	\$23,461,779	\$14,433,770	\$2,354,045	\$146,318,258	\$91,039,220
2009	\$38,696,385	\$74,884,592	\$23,461,779	\$14,433,770	\$2,354,045	\$153,830,571	\$95,713,381
2010	\$41,437,056	\$80,188,294	\$23,461,779	\$14,433,770	\$2,354,045	\$161,874,944	\$100,718,590
2011	\$44,371,836	\$85,867,629	\$23,461,779	\$14,433,770	\$2,354,045	\$170,489,059	\$106,078,293
2012	\$47,514,471	\$91,949,204	\$23,461,779	\$14,433,770	\$2,354,045	\$179,713,269	\$111,817,596
2013	\$50,879,683	\$98,461,507	\$23,461,779	\$14,433,770	\$2,354,045	\$189,590,784	\$117,963,386
Total 2009-2013	\$222,899,431	\$431,351,226	\$117,308,895	\$72,168,850	\$11,770,225	\$855,498,628	\$532,291,246

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MHD currently makes semi-annual hospital outpatient UPL payments to reimburse hospitals the difference between their Medicaid outpatient lab costs and their Medicaid outpatient lab fee schedule payments. CMS's proposed rules place all O/P UPL payments in jeopardy. The following is the estimated impact, using 2008 O/P UPL payments as the base and trending them to determine the estimated impact for subsequent years. The 2008 payments were inflated for the next 5 years by the current CPI of 5.5%. The federal share of O/P UPL is estimated by applying the current blended FMAP of 62.22%.

SFY	Amount	Federal Share
2008	\$9,529,481	\$5,929,243
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Total 2009-2013	<u>\$58,779,558</u>	<u>\$36,572,641</u>

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An adjustment is included in the Direct Medicaid add-on payments to reimburse hospitals for the Medicaid share of their provider assessment.

If the proposed rule eliminates reimbursement of the Medicaid share of the provider assessment, the estimated impact over the next 5 years is below. The SFY 2008 assessment was used as the base and was trended using current CPI of 5.5% plus MO specific trend of 1.5% per year to determine the estimated impact for subsequent years. The federal funds for these payments are estimated using the current blended FMAP of 62.22%.

SFY	Amount	Federal Share
2008	\$149,364,140	\$92,934,368
2009	\$159,942,855	\$99,516,445
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2011	\$183,401,063	\$114,112,141
2012	\$196,390,443	\$122,194,134
2013	\$210,299,796	\$130,848,533
Total 2009-2013	<u>\$921,304,966</u>	<u>\$573,235,950</u>

**STATE OF MISSOURI  
FACSIMILE TRANSMITTAL SHEET**

DATE: February 15, 2008

TO: The Honorable Henry A. Waxman, Chairman  
Committee on Oversight and Government Reform

FROM: Ian McCaslin, M.D., M.P.H.

MO HealthNet Division

P.O. Box 6500

Jefferson City, MO 65102

FAX NUMBER: 202/225-4784

FAX NUMBER: 573-751-6564

RE: Responding to Oversight Committee Document Request

**SPECIAL INSTRUCTIONS/REMARKS**

Missouri's response to the January 16<sup>th</sup> request follows. Original will be sent via regular mail.

ANY PROBLEMS WITH TRANSMITTAL CALL  
573-751-6922 / PamTOTAL NUMBER OF PAGES (INCLUDING TRANSMITTAL  
SHEET) 8

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